GRAFTON GROUP LIMITED ANNUAL REPORT FOR YEAR ENDED JANUARY 31, 1977

Mar 8

Established 1853

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ANNUAL MEETING

The Annual Meeting of Shareholders will be held at 11:30 a.m., April 28, 1977 in Toronto in the Auditorium at 9 Sunlight Park Road.

ASSEMBLÉE ANNUELLE

L'assemblée annuelle des actionnaires aura lieu à 11 heures et demie de l'avant-midi, le 28 avril 1977, à Toronto dans l'auditorium à 9 Sunlight Park Road.

The Annual Report of Maher Shoes Limited is available upon request.

Financial Highlights

	Year Ended January 31 1977	1976	1975	% Change 1977 over 1976	% Change 1977 over 1975
	Omitting 000's				
TOTAL SALES	$154,988	$139,248	$104,589	+ 11.3	+ 48.2
Comprised of:					
Retail Division					
Stores	32,177	28,771	21,915	+ 11.8	+ 46.8
Licensed Woolco Departments	79,762	69,971	56,931	+ 14.0	+ 40.1
Total Apparel	111,939	98,742	78,846	+ 13.4	+ 42.0
Footwear	31,553	29,359	15,285	+ 7.5	
	143,492	128,101	94,131	+ 12.0	+ 52.4
Homefurnishings Division	11,496	11,147	10,589	+ 3.1	+ 8.6
Income from operations before depreciation, interest and goodwill amortization	19,935	19,726	13,389	+ 1.1	+ 48.9
Income from investments	580	611	341	− 5.1	+ 70.1
Depreciation and interest	3,317	3,140	2,490	+ 5.6	+ 33.2
*NET INCOME	8,869	8,531	5,180	+ 4.0	+ 71.2
Percentage of net income to sales	5.72	6.13	4.95		
*EARNINGS PER COMMON SHARE					
Basic	$4.68	$4.51	$2.74	+ 3.8	+ 70.8
Fully Diluted	$4.39	$4.22	$2.67	+ 4.0	+ 64.4
*Dividends paid per common share	$ .71	$ .60	$ .51	+ 18.3	+ 39.2
Dividends as a percentage of net income	15.2	13.3	18.6		
Working capital	$ 25,002	$ 19,848	$ 14,711	+ 26.0	+ 70.0
Current ratio	2.5:1	2.1:1	1.9:1		
Effective tax rate percentage	47.4	49.4	52.3		
Earnings as a percentage of shareholders' equity	26.2	32.4	27.5		
Shareholders' equity	$ 33,891	$ 26,281	$ 18,813	+ 29.0	+ 80.1

*Prices, Profits and Dividends are restrained from October 14, 1975 by the Anti-Inflation Act.

Board of Directors and Officers

CHARLES A. CADIEUX, C.M., K.G.C.H.S., *Retired Retail Executive*	Toronto, Ontario
*G. RICHARD CHATER, *President, the Company*	Campbellville, Ontario
BRIG.-GEN. W. PRESTON GILBRIDE, C.B.E., D.S.O., E.D., LL.D., *Chairman, the Company*	Toronto, Ontario
WILLIAM A. HEASLIP, *Executive Vice President, the Company*	Milton, Ontario
WILLIAM F. JAMES, Ph.D., *Consulting Geologist*	Toronto, Ontario
*JAMES W. McCUTCHEON, Q.C., *Partner, Shibley, Righton & McCutcheon*	Toronto, Ontario
STEWART PHILP, *Retired President of a Subsidiary*	Hamilton, Ontario
*JOHN B. RIDLEY, *Retired Investment Dealer*	Toronto, Ontario
SAM FOSTER ROSS, Q.C., *Partner, Ross & McBride*	Dundas, Ontario
*GEORGE A. REYNOLDS, C.A., *Vice President Finance, Secretary and Treasurer, the Company*	Thornhill, Ontario
T. EDWARD TOPPING, *President, Grafton-Fraser Limited*	Stouffville, Ontario
*DAVID B. WELDON, *Chairman of the Board, Midland Doherty Limited*	Toronto, Ontario
DOUGLAS C. WOOLLEY, Q.C., *Partner, Woolley, Dale & Dingwall*	Toronto, Ontario
THOMAS R. YOUNG, *President, Toby Industries Limited*	Goodwood, Ontario

**Audit Committee*

Officers

W. P. GILBRIDE, *Chairman*
G. R. CHATER, *President*
W. A. HEASLIP, *Executive Vice President*
G. A. REYNOLDS, C.A., *Vice President, Finance, Secretary and Treasurer*

Head Office

9 SUNLIGHT PARK ROAD, TORONTO M4M 3G1

Transfer Agent and Registrar

GUARANTY TRUST COMPANY OF CANADA
Montreal, Toronto, Winnipeg, Regina, Calgary, Vancouver

Auditors

THORNE RIDDELL & CO., TORONTO

Bankers

CANADIAN IMPERIAL BANK OF COMMERCE, TORONTO
BANK OF NOVA SCOTIA, TORONTO

Stock Exchange Listings

GRAFTON GROUP LIMITED COMMON SHARES
Toronto Stock Exchange
Montreal Stock Exchange
MAHER SHOES LIMITED PREFERENCE SHARES
Toronto Stock Exchange

Directors' Report to the Shareholders

In the year ending January 31, 1977 your company achieved results comparable to the previous year which had been outstanding and extraordinarily rewarding. Sales were $154,988,000 compared with $139,248,000. Net income was $8,869,000 or $4.39 per share compared with $8,531,000 or $4.22 per share.

Expenditures for additions to the company facilities rose to $2,213,000 compared with $2,026,000.

Despite this large capital investment program, the company's long term debt as a percentage of capitalization is now at a very low level, and cash on hand exceeded all long term debt.

Debt to capital ratio at the end of the year was .28:1 compared to .41:1 the year before.

In June and September, your Directors increased common dividends from 15 cents to 17 cents per quarter and 17 cents to 18 cents, all in accordance with the AIB regulations.

We are proposing to divide our shares on a basis of 3 for 2 at the annual meeting, subject to shareholders' approval.

We have presented our highlights on a three year basis to demonstrate the restraining effects of the AIB regulations on our gross profit and net earnings in this latest year, which was our first full year under the compliance program. In respect of prices, gross margins and net profits, they were predicated, in establishing the guidelines for the year just ended, on the control year ending January 31, 1975. While we have suffered the negative impact of reduced percentage payout of dividends, and reduced margins and net profits, nevertheless with the most damaging period behind us, we believe that the subsequent changes in the regulations from the time of their original promulgation, as well as the interpretations that have been given by the AIB to our presentation on conformity, are fair. They give us ample opportunity to increase earnings and payout percentages henceforth, and we would be disappointed if the program were cancelled prematurely. Our concerns are in respect to the impact of such a change on the cost side of our business in particular, and the whole Canadian economy.

Two of our major operating divisions increased their earnings last year, Jack Fraser Stores and Toby Industries. The earnings of our Woolco Stores division were down marginally for the first time, due to reduced prices and margins and the attendant costs of a very large increase of physical item activity without a commensurate increase in sales. The Maher division suffered from a large exposure in the B.C. market where sales were flat and costs rose, as well as a general consolidation and closeout of unprofitable stores. Forsyth, in which we have an investment, increased market shares dramatically, but earnings were down due to the AIB. Excellent acceptance of a restyled Pierre Cardin line helped achieve a sales increase of 27%.

We expect the year ending January 31, 1978 to be somewhat difficult in all divisions, with a poor first quarter, and then gradual improvement. For the next five years we believe our expansion opportunities are greater than for that of the industry as a whole. A larger number of Woolco Department stores is likely to come on stream in this period than had previously been anticipated. Jack Fraser is under-represented in the Prairie Provinces and the Maritimes, as is Maher Shoes where consolidation is now completed. We are re-evaluating our assessment of our position and our furure in the home furnishings industry. Looking to beyond 1980, we are now conducting a professional evaluation of the opportunities for specialized retailers in the United States.

Last Year was extremely difficult for our management and employees and the Board of Directors wishes to thank them for their exceptional effort under trying circumstances.

On behalf of the Board of Directors.

G. R. Chater,
President
March 25, 1977

Officers and Executives of Subsidiaries

GRAFTON-FRASER LIMITED

G. R. CHATER, *Chairman and Chief Executive Officer*
T. E. TOPPING, *President*
J. B. COUTTS, *Senior Vice President*
A. L. LUCAS, *Senior Vice President*
G. A. REYNOLDS, C.A., *Senior Vice President and Secretary*
E. C. FREDERICK, *Vice President*
J. R. WALKER, *Vice President*
S. A. LINDSAY, C.A., *Vice President and Treasurer*
W. J. SMITH, *Vice President*
R. M. HANNAH, C.A., *Controller*
H. SANDERS, *Administrator Public Relations and Personnel*

MAHER SHOES LIMITED

T. P. WILSON, *President*
J. W. REID, *President of a Subsidiary*
R. C. WILSON, *Senior Vice President*
J. R. GILLIES, C.A., *Vice President and Treasurer*
L. D. PHILLIPS, *Vice President*
G. F. TRAVELLE, *Secretary*
D. F. GERRISH, C.A., *Controller*
L. GINSBERG, C.A.,
Administrator of Marketing Services

TOBY INDUSTRIES LIMITED

T. R. YOUNG, *President*
D. P. WORSNOP, C.A., *Controller*

GRAFTON REALTY COMPANY, LIMITED

W. A. HEASLIP, *President*
MRS. J. A. LAWSON, *Assistant Secretary*

Jack Fraser

Jacks

The Loft

GRAFTON-FRASER LIMITED — T. E. Topping, President

Business of the Company

Grafton-Fraser is one of the three largest retailers of Men's and Boys' Wear in Canada. Our Jack Fraser Stores division commenced in 1928 with one store in Toronto and has been expanded into every province to consist of a total of 80 stores.

Our Woolco division commenced in 1962 with one store in Windsor, Ontario, and has been expanded across the country to consist of a total of 86 outlets. Total sales of Grafton-Fraser for the first time surpassed $100 Million.

This division represents 73% of corporate sales, 80% of profits and 63% of assets.

The results for the year were disappointing as compared with our plans. Negative factors affecting these results were a 52 week year as compared with 53 weeks the previous year, a one in six year abberation. Consequently, a year ago we had a 14 week fourth quarter (this year 13) and a six week December (this year 5 weeks).

The outstanding results of the previous year could not be duplicated due to AIB restraint, price competition, unfavourable spring and summer weather at critical times, and a continuous overstock position due to an overly ambitious sales and purchasing plan.

Positive factors were the orderly closing of older Jack Fraser Stores and their replacement by newer more attractive stores in higher traffic locations with future growth prospects. Almost all our downtown locations have been dealt with. In addition to a good reception for our Jack Fraser Stores, our Loft Division (ladies sportswear) and Jacks Shops (separates and jeans) have been well received.

Our site locations and expense control have stood us in good stead in a year of great pressure on margins. With confidence, we look forward to the future after 10 consecutive years of improved profitability in the Jack Fraser division.

Our Woolco division continues to expand, with emphasis on more name brands in the mix and much greater quality control. We are likely the largest retailer of boys' wear in Canada, as most chains and independents have given up this field. Leisure sportswear also represents a new opportunity for expanded sales, as more people concern themselves about their apparel for increased leisure time activity.

Import restrictions will affect us modestly with increased price pressure commencing in the Fall. About 20% of Woolco and 5% of Jack Fraser products are of offshore origin.

We are addressing ourselves to a more rapid inventory turnover program which is difficult while maintaining an adequate assortment of staple merchandise along with the rapidly changing fashion items, with which we have been so successful. We cannot, however, accept reduced inventory turnover while improving financial efficiency.

Last year was most upsetting due to the effect of AIB regulations; however, we are hopeful of a more normal environment and increased growth in earnings during the Spring/Summer of this year, despite current high unemployment and an uncertain economy.

WOOLCO DIVISION — A. L. Lucas, Senior Vice President

Business of the Division

Grafton-Fraser operates a leased department in every Woolco Store in Canada and Woolco is the largest Department Store Chain in Canada in terms of retail square footage. Grafton-Fraser occupies between 9 and 10% of the selling footage for the sale of men's and boys' wear. Departments range from 3,000 to 13,500 square feet and average 8,500 square feet.

We anticipate within two years our sales of this division will exceed $100 Million.

Woolco Department Stores enjoy nationwide exposure in key suburban locations and attract the consumer seeking timely and broad merchandise assortments at competitive prices.

Seven new Woolco stores will open during 1977, augmenting optimistic sales forecasts for the eighty-six men's and boys' wear departments now operated by Grafton-Fraser.

Upgrading of the Woolco merchandise and store image continues via increased television advertising and a distinctive new print advertising format.

The men's and boys' wear departments contribute to this program through additional Canadian-made fashion items, more name brands, such as Forsyth Shirts and innovative self selection boutique merchandise displays in growth commodity areas such as Active Sportswear and co-ordinated or related separates for men.

Sales growth in sizes 8 to 18 boys' wear continues easily in pace with men's wear, as many competitors tend to neglect this important market.

Woolco, having successfully moved to a level well above that of most mass merchandisers, now has significantly increased potential for capture of a greater share of traditional department store sales across Canada, and the Grafton-Fraser merchandising plans will continue in this direction.

JACK FRASER STORES DIVISION — J. B. Coutts, Senior Vice President

Business of the Division

Jack Fraser operates 80 stores in all the Provinces of Canada. These stores sell men's apparel including suits, furnishings and sportswear aimed to appeal to style and value conscious men. 70% of the stores have a Loft Department consisting of 20% of the square footage of the store, carrying junior ladies sportswear of medium price aimed at the fashion conscious young lady. 10% of the stores have a separate "Jacks" shop, selling jeans, tops and bottoms and other separates.

Typical store sizes range from 4,000 to 5,000 square feet.

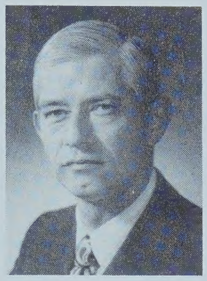
This past year was a satisfactory one in terms of our long range plans, with substantial accomplishments in our endeavour to emphasize fashion merchandising. All three divisions, Jack Fraser, the Loft, and Jacks performed well.

Our Loft Stores enjoyed an excellent year. The combination of women's sportswear and fashion men's apparel is now well established, and it is our plan to open Lofts in conjunction with all Jack Fraser Stores where space and traffic permit.

Our Jack Stores cater to the young man who buys high fashion merchandise. Results in these units has been encouraging, with potential for considerable future growth.

While we closed a number of stores in areas that showed little growth potential, they were replaced with new modern stores in prime retail areas. Boys' wear departments were phased out of all remaining stores, enabling our stores to attain a better fashion look and greater productivity. We are confident that the results of the past year will enable us to continue our record of increased profitability.

MAHER SHOES LIMITED — T. P. Wilson, President



Business of the Company

Maher operates 196 retail stores across the country. Its divisions consist of Maher, Bonita, Shoeman, Copp, J. Reid and leased departments. The various divisions cater to different types of customers and cover the medium to higher priced shoe range.

Maher represents 20% of consolidated sales of the corporation, 7% of profits and 21% of assets.

1976 was an ambitious period for Maher, as our national retailing operations were consolidated into three cohesive marketing divisions, enabling us to better utilize talent and greatly expand our energies on those merchandising areas where we have built consumer loyalty and a strong market position. Although several parts of the country experienced more economic difficulties than others, the major thrust of our business enjoyed continued improvement. Company sales increased 7.5%, while continuing store sales increased 11.9%, and working capital further increased to a current ratio of 1.9:1.

Currently, we have a number of new leases under review and we now expect to open at least 12 new stores this year. Our principal objective will be to create a stronger financial condition and to further build upon the company's many strengths, and here I want to underscore its greatest resources, its employees. With their dedication, beliefs and resourcefulness, we view the future with much confidence and optimism.

TOBY INDUSTRIES LIMITED — T. R. Young, President

Business of the Company

The company is comprised of two divisions in separate plants in Toronto. The Toby Division manufactures bedspreads, comforters, cushions and other related home furnishing items, while the McGregor Division manufactures and imports shower curtains and a complete line of bathroom accessories. Our customers are the major department stores and chains as well as specialty stores across the counrty.

This division represents 7% of corporate sales, 2% of profits, and 10% of assets.

The past year was one of increased difficulty in sales, but the selection of more fashionable items, combined with improved costs, produced more rewarding results. We expect a continuation of the tight market conditions across Canada for 1977; however, our market position is such that we are hopeful of maintaining our present share, and increased sales when the economy improves.

Financial Commentary and Information Graphs

FINANCIAL COMMENTARY —
G. A. Reynolds, Vice President, Finance

Sales rose by 11.3% to $154,988,000 from $139,248,000. Apparel sales were for a 52 week period this year as compared with 53 weeks last year.

Net income increased 4% to $8,869,000 from $8,531,000.

Earnings per share, fully diluted, were $4.39 versus $4.22 for 1976.

Dividends per share were 71 cents per common share while 60 cents per share was paid in the previous year, an increase of 18.3%.

It should be noted that prices, profits and dividends have been restrained under the Anti-Inflation Act from October 14, 1975. The company's management believes that it has complied with all the restraints imposed by the Act.

Cash increased to $10,111,000 from $8,391,000 or 20.5%.

Inventories were higher at $27,585,000 compared to $24,545,000, a rise of 12.4%. Total inventory turnover decreased slightly to 5.6 from 5.7 times. Retail inventory turnover was 5.9 times in both years.

Working capital amounted to $25,002,000 in 1977 and $19,848,000 in 1976, an increase of $5,154,000 or 26%. The working capital ratio was 2.5:1 compared to 2.1:1.

Marketable securities were reclassified as investments. The market value of investments was $883,000 in excess of book value $989,000.

Equity income from Forsyth Trading Company Limited in which we have an original investment of $1,000,000 in preference shares declined slightly due to Forsyth's compliance with the Anti-Inflation Act, and retained equity income from this investment now exceeds the original cost. The company has been released from its contingent liability in respect to Forsyth bank borrowings. Investments represent 6.5% of corporate earnings and 6.0% of assets.

Expenditures on leaseholds, fixtures and equipment were $2,213,000. Last year they were $2,026,000.

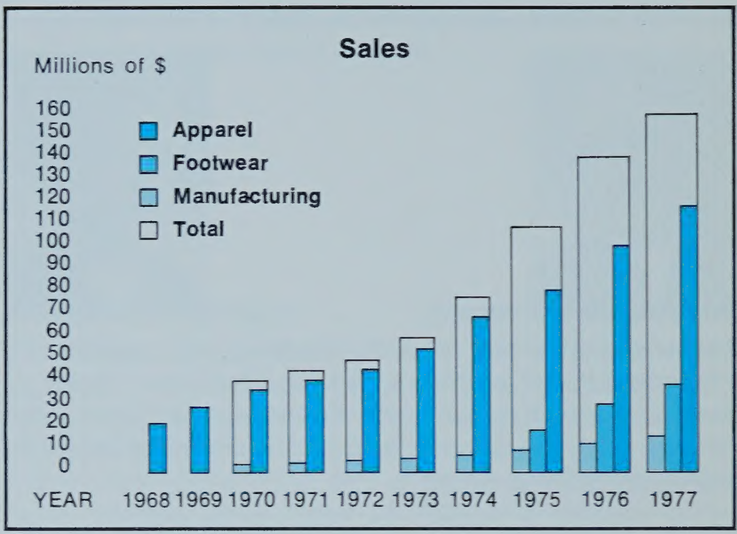
Long term debt to equity ratio is .28:1.

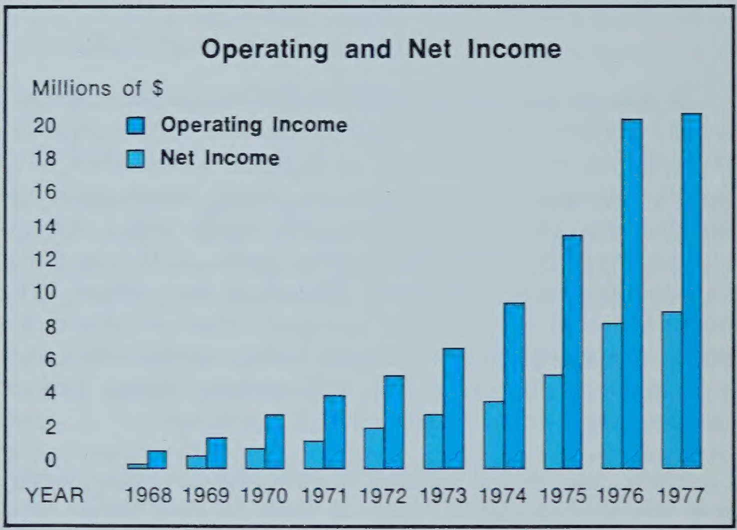
Shareholders' Equity amounted to $33,891,000, a rise of $7,610,000 over 1976, a 29% increase.

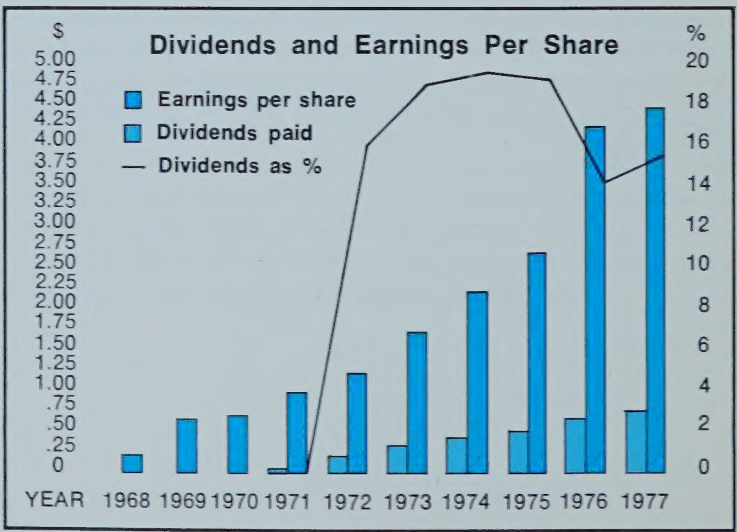
Return on Shareholders' Equity was 26.2%. Last year it was 32.4%.

During most of the year the company successfully issued short term commercial paper to finance seasonal inventory peaks. The maximum issued during the year was $7,000,000.

The company has consolidated bank lines of credit of $21,000,000.







Consolidated Statements of Income and Retained Earnings

GRAFTON GROUP LIMITED
and subsidiary companies

	Year Ended January 31, 1977	1976
INCOME		
Sales		
Retail	$143,492,000	$128,101,000
Manufacturing	11,496,000	11,147,000
	154,988,000	139,248,000
Cost of sales and expenses other than undernoted	121,903,000	107,981,000
Rental and license expense	13,150,000	11,541,000
	135,053,000	119,522,000
Income from operations before the following	19,935,000	19,726,000
Income from investments	580,000	611,000
Income before taking into account the undernoted items	20,515,000	20,337,000
Depreciation	1,516,000	1,320,000
Interest on long term debt	1,018,000	1,144,000
Other interest	783,000	676,000
Amortization of goodwill	142,000	142,000
	3,459,000	3,282,000
Income before income taxes and minority shareholders' interest	17,056,000	17,055,000
Income taxes	8,093,000	8,427,000
Income before minority shareholders' interest	8,963,000	8,628,000
Preference share dividends paid to minority shareholders of subsidiary company	94,000	97,000
NET INCOME FOR THE YEAR	$ 8,869,000	$ 8,531,000
EARNINGS PER SHARE (note 6)		
Basic	$4.68	$4.51
Fully diluted	$4.39	$4.22

RETAINED EARNINGS	1977	1976
BALANCE AT BEGINNING OF YEAR	$ 18,982,000	$ 11,586,000
Net income for the year	8,869,000	8,531,000
	27,851,000	20,117,000
Dividends on common shares	1,346,000	1,135,000
BALANCE AT END OF YEAR	$ 26,505,000	$ 18,982,000

Consolidated Balance Sheet

GRAFTON GROUP LIMITED
(Incorporated under the laws of Ontario)
and subsidiary companies

	January 31, 1977	1976
ASSETS		
CURRENT ASSETS		
Cash and bank deposit receipts	$10,111,000	$ 8,391,000
Accounts receivable	4,185,000	4,445,000
Marketable securities, at the lower of cost and market		225,000
Inventories (note 2)	27,585,000	24,545,000
Deposits and prepaid expenses	313,000	416,000
	42,194,000	38,022,000
INVESTMENTS (note 3)	3,724,000	3,022,000
FIXED ASSETS, at cost		
Land	1,348,000	1,348,000
Buildings	3,025,000	2,930,000
Equipment, fixtures and leaseholds	14,739,000	12,902,000
	19,112,000	17,180,000
Less accumulated depreciation	7,952,000	6,666,000
	11,160,000	10,514,000
GOODWILL, less amortization	5,289,000	5,431,000
	$62,367,000	$56,989,000

Approved by the Board
JOHN B. RIDLEY, *Director*
G. R. CHATER, *Director and President*

	January 31, 1977	1976
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$11,209,000	$13,676,000
Income and other taxes payable	4,831,000	3,296,000
Principal due within one year on long term debt	1,152,000	1,202,000
	17,192,000	18,174,000
LONG TERM DEBT (note 4)	9,395,000	10,679,000
DEFERRED INCOME TAXES	476,000	442,000
PREFERENCE SHARES HELD BY MINORITY SHAREHOLDERS in subsidiary company, Maher Shoes Limited	1,413,000	1,413,000
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 5)		
Authorized		
3,500,000 Common shares without par value		
Issued		
1,897,486 Common shares (1976, 1,893,930 shares)	7,230,000	7,143,000
CONTRIBUTED SURPLUS	156,000	156,000
RETAINED EARNINGS	26,505,000	18,982,000
	33,891,000	26,281,000
	$62,367,000	$56,989,000

Long term leases (note 7)

Contingent liabilities (note 8)

Consolidated Statement of Changes in Financial Position

GRAFTON GROUP LIMITED
and subsidiary companies

	Year Ended January 31, 1977	1976
WORKING CAPITAL DERIVED FROM		
Operations		
Net income for the year	$ 8,869,000	$ 8,531,000
Items not involving working capital		
Depreciation	1,516,000	1,320,000
Deferred income taxes	34,000	87,000
Amortization of goodwill	142,000	142,000
Equity in earnings of investments	(485,000)	(569,000)
	10,076,000	9,511,000
Sale of fixed assets	51,000	9,000
Proceeds from issue of common shares	87,000	88,000
Decrease in investments	8,000	233,000
	10,222,000	9,841,000
WORKING CAPITAL APPLIED TO		
Additions to fixed assets	2,213,000	2,026,000
Dividends on common shares	1,346,000	1,135,000
Cost of preference shares of Grafton-Fraser Limited purchased for cancellation		234,000
Reclassification of marketable securities as investments	225,000	
Reduction of non-current portion of long term debt	1,284,000	1,257,000
Investment in 50% owned partnership interest net of fixed assets of $187,000 transferred to partnership at fair market value		52,000
	5,068,000	4,704,000
INCREASE IN WORKING CAPITAL	5,154,000	5,137,000
WORKING CAPITAL AT BEGINNING OF YEAR	19,848,000	14,711,000
WORKING CAPITAL AT END OF YEAR	$25,002,000	$19,848,000

	1977	1976
COMPONENTS OF INCREASE IN WORKING CAPITAL		
INCREASE (DECREASE) IN CURRENT ASSETS		
Cash and bank deposit receipts	$ 1,720,000	$ 5,279,000
Accounts receivable	(260,000)	253,000
Marketable securities	(225,000)	
Inventories	3,040,000	754,000
Deposits and prepaid expenses	(103,000)	178,000
	4,172,000	6,464,000
INCREASE (DECREASE) IN CURRENT LIABILITIES		
Bank advances		(4,364,000)
Accounts payable and accrued liabilities	(2,467,000)	5,398,000
Income and other taxes payable	1,535,000	(497,000)
Principal due within one year on long term debt	(50,000)	790,000
	(982,000)	1,327,000
INCREASE IN WORKING CAPITAL	$ 5,154,000	$ 5,137,000

Notes to Consolidated Financial Statements

GRAFTON GROUP LIMITED
and subsidiary companies

Year ended January 31, 1977

1. SUMMARY OF ACCOUNTING POLICIES

(a) Principles of Consolidation

The consolidated financial statements include the accounts of all subsidiary companies since dates of acquisition. The major operating subsidiaries are as follows:

	Fiscal Year End	Fiscal Year of Acquisition
Grafton-Fraser Limited	January 5, 1977	1968
Toby Industries Limited	December 31, 1976	1970
Grafton Realty Company, Limited	December 31, 1976	1972
Maher Shoes Limited	January 1, 1977	1975

(b) Inventories

The inventories are valued on the following basis:

Retail inventory — lower of cost and net realizable value less normal profit margin.

Manufacturing inventory

Raw materials — lower of cost and replacement cost.

Work in process and finished goods — lower of cost and net realizable value.

(c) Fixed Assets

Depreciation is provided as follows:

Buildings	2½% diminishing balance
Equipment and fixtures	20% diminishing balance and 10% straight-line
Leaseholds	term of lease, straight-line

(d) Goodwill

Goodwill, being the excess of cost over underlying book value of Maher Shoes Limited acquired during the 1975 fiscal year is being amortized in accordance with the requirements of the Canadian Institute of Chartered Accountants on a straight-line basis over forty years from the date of acquisition. Accumulated amortization to January 31, 1977 is $355,000.

(e) Income Taxes

The company charges earnings with income taxes currently payable and also with income taxes deferred by claiming certain costs for income tax purposes in excess of related costs charged to income. The accumulated total of such income tax deferments is reflected in the consolidated balance sheet as "Deferred income taxes".

2. INVENTORIES

	1977	1976
Retail		
Apparel	$16,909,000	$14,005,000
Footwear	7,468,000	7,560,000
	24,377,000	21,565,000
Manufacturing		
Raw materials	1,326,000	1,415,000
Work in process	314,000	197,000
Finished goods	1,568,000	1,368,000
	3,208,000	2,980,000
	$27,585,000	$24,545,000

3. INVESTMENTS	1977	1976
Forsyth Trading Company Limited		
Redeemable preference shares, at cost	$ 1,000,000	$ 1,000,000
Common shares, 33 1/3% interest, at equity	1,386,000	871,000
	2,386,000	1,871,000
Barcley-Lanes Shoes — 50% interest, at equity	227,000	257,000
Mortgages receivable	122,000	130,000
Listed marketable securities, at cost less provisions for decline in value (market value 1977, $1,872,000; 1976, $1,243,000)	989,000	764,000
	$ 3,724,000	$ 3,022,000

4. LONG TERM DEBT	1977	1976
(a) 7 1/4% Convertible debentures, maturing June 30, 1979	$ 5,036,000	$ 5,072,000
(b) Term bank loan, bearing interest at the prime banking rate plus 1% maturing September 1, 1979	3,000,000	4,000,000
(c) Term bank loan, bearing interest at the prime banking rate plus 1 3/4% (not less than 9% per annum) maturing May 1, 1982	1,411,000	1,534,000
(d) 6 3/4% Sinking fund debentures, Series A, maturing April 1, 1987	1,100,000	1,275,000
	10,547,000	11,881,000
Less principal due within one year	1,152,000	1,202,000
	$ 9,395,000	$10,679,000

(a) The 7 1/4% convertible debentures of Grafton Group limited have been issued in individual units of $50. The debentures are convertible at the holder's option into common shares of Grafton Group Limited at a conversion price of $30 per common share, and cash or script certificates for the balance.

The debentures may be redeemed by the company prior to June 30, 1979 if the weighted average trading price per common share, on a stock exchange, of Grafton Group is $36 or greater for each of 20 successive trading days, at which time the company may call the debentures for redemption on thirty days notice.

The debentures are secured by a first fixed and specific pledge on notes payable by Grafton-Fraser Limited to the company ($5,181,000 at January 31, 1977). These notes are secured by the pledge of 109,200 common shares of Maher Shoes Limited.

(b) A term bank loan of Grafton-Fraser Limited amounting to $3,000,000 is secured by the pledge of 98,055 common shares of Maher Shoes Limited and is repayable by annual amounts of $1,000,000 on September 1, 1977 to 1979 inclusive.

(c) A term bank loan of Grafton Realty Company, Limited amounting to $1,411,000 is secured by a demand debenture in the amount of $1,950,000 on all the assets of Grafton Realty Company, Limited and is repayable in equal monthly instalments of $25,000 (principal and interest) maturing May 1, 1982, at which point the unpaid principal balance becomes due.

4. LONG TERM DEBT (Cont'd.)

(d) The debentures of Maher Shoes are secured by a first floating charge on the assets of Maher Shoes Limited. The more significant of the covenants of the trust deed restrict the subsidiary company, Maher Shoes Limited, from reducing its consolidated working capital below $1,000,000 and from paying dividends on common shares if such payments would reduce consolidated working capital (which was $4,401,000 at January 1, 1977) below $1,250,000. At January 1, 1977, the company had a sinking fund credit sufficient to meet all of the $80,000 payment due in 1978 and the payments required in 1978 and future years average approximately $106,000 per annum to 1987, the date of maturity.

Principal repayments within the next fiscal five years on all long term debt of Grafton Group Limited and subsidiary companies are approximately:

1978	$ 1,152,000
1979	1,231,000
1980	6,315,000
1981	307,000
1982	337,000
	9,342,000
due beyond 1982	1,205,000
	$10,547,000

5. CAPITAL STOCK

	1977	
Common shares		
Issued	Consideration	
Issued during the year under the Employee Stock Option Plan, 2,350 shares (1976, 1,580 shares) at $21.60	$51,000	$35,000
Issued under the terms of the $7^1/_4$% convertible debentures, 1,206 shares (1976, 1,768 shares)	36,000	53,000
	$87,000	$88,000

	1977	1976
Shares set aside for Employee Stock Option Plan	Shares	
Reserved for allotment	51,850	51,850
Options outstanding, exercisable at $21.60 per share up to Febuary 11, 1977 (18,750 were exercised subsequent to the year end)	21,366	23,716
Options exercised to date	21,784	19,434
	95,000	95,000

In addition, 169,591 common shares have been set aside for conversion privileges attached to the $7^1/_4$% convertible debentures.

6. EARNINGS PER SHARE

Earnings per share are based upon the weighted average number of shares outstanding during the year (1,895,419 shares in 1977 and 1,892,260 shares in 1976).

Fully diluted earnings per share illustrates the effect on earnings of the conversion of the outstanding $7^1/_4$% convertible debentures.

7. LONG TERM LEASES

Based upon all leases including licenses in existence as at their fiscal period ends, the aggregate minimum amount that will be incurred by all the compay's subsidiaries as annual rental or license expense during their next five fiscal years is approximately $7,598,000.

8. CONTINGENT LIABILITIES

With respect to the investment in shares of Forsyth Trading Company Limited (note 3), Grafton Group Limited has guaranteed 50% of certain notes payable by Forsyth. Grafton Group Limited's contingent liability at January 1, 1977 amounted to $584,000 (1976, $1,165,000).

9. PENSION PLAN

Current pension costs are charged to operations each year. At January 1, 1977 a subsidiary company, Maher Shoes Limited, had a present value obligation for unfunded past service pension plan costs of approximately $201,000 based on the most recent actuarial calculation which was completed in 1976. These past service costs are being expensed over the next thirteen years.

10. ANTI-INFLATION LEGISLATION

The company and its subsidiaries are subject to the Anti-Inflation Act which provides for the restraint of profit margins, prices, dividends and compensation. In management's opinion, the company and its subsidiaries have complied with the provisions of this Act for the year ended January 31, 1977.

The maximum dividend rate allowable in the twelve months ending October 13, 1977 under the presently existing Anti-Inflation legislation is $1.11 per share based upon the present number of shares outstanding.

11. OTHER STATUTORY INFORMATION

Remuneration of directors and the senior officers of the company and its subsidiaries (as defined by the Business Corporation Act) was $572,000 (1976, $523,000).

12. LONG TERM FINANCING

The company has entered into negotiations to arrange for the sale of long term debentures.

Auditors' Report

To the Shareholders of
Grafton Group Limited

We have examined the consolidated balance sheet of Grafton Group Limited as at January 31, 1977 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at January 31, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell & Co.
Chartered Accountants

Toronto, Canada
February 23, 1977

Store Photographs

Action at Woolco Manstown,
Mississauga Square One,
Ontario.

Being fitted at Maher,
Sherway Gardens,
Etobicoke, Ontario.

TEAM CANADA 1976
Clothed by Jack Fraser,
official apparel supplier for
Team Canada, winners of the
Canada Cup.

Historical Operating Review

	January 31									
	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
					Omitting $000's					
TOTAL SALES	154,988	139,248	104,589	71,263	59,599	48,882	42,004	36,153	25,219	21,461
Retail Division										
Apparel										
Stores	32,177	28,771	21,915	19,213	16,286	14,704	13,136	12,452	10,705	11,376
Licensed Woolco Departments	79,762	69,971	56,931	46,505	38,129	29,576	24,759	19,586	14,514	10,085
	111,939	98,742	78,846	65,718	54,415	44,280	37,895	32,038	25,219	21,461
Footwear	31,553	29,359	15,285							
	143,492	128,101	94,131	65,718	54,415	44,280	37,895	32,038	25,219	21,461
Homefurnishings Division	11,496	11,147	10,458	5,545	5,184	4,602	4,109	4,115		
Cost of sales and expenses other than undernoted	121,903	107,981	82,810	55,798	47,708	39,790	34,396	30,482	21,630	19,155
Rentals and license expense	13,150	11,541	8,390	5,984	4,943	3,951	3,353	2,468	1,769	1,447
	135,053	119,522	91,200	61,782	52,651	43,741	37,749	32,950	23,399	20,602
Income from operations before the following	19,935	19,726	13,389	9,481	6,948	5,141	4,255	3,203	1,820	859
Percent to sales	12.9	14.2	12.8	13.3	11.7	10.5	10.1	8.9	7.2	4.0
Income from investments	580	611	341					27		
Gain on sale of fixed assets			200							
Income before taking into account the undernoted items	20,515	20,337	13,930	9,481	6,948	5,141	4,255	3,230	1,820	859
Depreciation	1,516	1,320	945	567	393	267	196	161	100	109
Interest on long term debt	1,018	1,144	764	172	112					
Other interest	783	676	781	275	101	119	356	360	255	263
Amortization of goodwill	142	142	71							
Provision for write down of investments			359	87						
	3,459	3,282	2,920	1,101	606	386	552	521	355	372
Income before undernoted	17,056	17,055	11,010	8,380	6,342	4,755	3,703	2,709	1,465	487
Income taxes	8,093	8,427	5,763	4,310	3,067	2,445	2,009	1,461	789	253
Income before minority interests	8,963	8,628	5,247	4,070	3,275	2,310	1,694	1,248	676	234
Minority interests	94	97	67	36	42	51	56	218	54	47
NET INCOME FOR THE YEAR	8,869	8,531	5,180	4,034	3,233	2,259	1,638	1,030	622	187
Earnings per common share — Fully Diluted	4.39	4.22	2.67	2.14	1.72	1.22	1.01	.69	.58	.18
Dividends per common share	.71	.60	.51	.42	.325	.20	.05			
Dividend percentage of earnings	15.2	13.3	18.6	19.6	18.9	16.4	5.0			
Weighted average number of shares outstanding	1,895,419	1,892,260	1,889,745	1,883,600	1,874,700	1,853,667	1,611,496	1,611,496	1,096,750	1,096,750
Effective tax rate percentage	47.4	49.4	52.3	51.4	48.4	51.4	54.3	53.9	53.9	52.0
Rentals as a percentage of sales	8.5	8.3	8.0	8.4	8.3	8.1	8.0	6.8	7.0	6.7

Historical Balance Sheets

	January 31						
	1977	1976	1975	1974	1973	1972	1971
ASSETS	Omitting 000's						
CURRENT ASSETS							
Cash and bank deposit receipts	$10,111	$ 8,391	$ 3,112	$ 2,280	$ 2,444	$ 2,079	$ 14
Accounts receivable	4,185	4,445	4,192	3,071	2,676	2,051	1,878
Marketable securities at lower of cost and market		225	225	214	355	230	
Inventories	27,585	24,545	23,791	11,440	8,601	6,519	5,845
Deposits and prepaid expenses	313	416	238	168	282	584	100
	42,194	38,022	31,558	17,173	14,358	11,463	7,837
INVESTMENTS AND OTHER RECEIVABLES	3,724	3,022	2,447	3,016	1,013	874	797
FIXED ASSETS, AT COST							
Land	1,348	1,348	1,348	1,390	1,390	413	
Buildings	3,025	2,930	2,722	2,754	2,949	668	
Equipment, fixtures and leaseholds	14,739	12,902	11,814	4,803	3,979	3,759	3,178
	19,112	17,180	15,884	8,947	8,318	4,840	3,178
Less accumulated depreciation	7,952	6,666	5,880	3,148	2,925	2,619	1,920
	11,160	10,514	10,004	5,799	5,393	2,221	1,258
GOODWILL, less amortization	5,289	5,431	5,573				
	$62,367	$56,989	$49,582	$25,988	$20,764	$14,558	$ 9,892
LIABILITIES							
CURRENT LIABILITIES							
Bank advances			$ 4,364				$ 275
Accounts payable and accrued liabilities	$11,209	$13,676	8,278	$ 5,741	$ 6,106	$ 4,001	3,098
Income and other taxes payable	4,831	3,296	3,793	3,392	965	671	1,071
Principal due within one year on long term debt	1,152	1,202	412	107	147	740	
	17,192	18,174	16,847	9,240	7,218	5,412	4,444
LONG TERM DEBT	9,395	10,679	11,936	1,628	1,720		190
DEFERRED INCOME TAXES	476	442	355	79	73	41	37
PREFERENCE SHARES HELD BY MINORITY SHAREHOLDERS	1,413	1,413	1,631	479	662	788	907
SHAREHOLDERS' EQUITY							
CAPITAL STOCK, Issued							
Preference Shares							482
Common Shares	7,230	7,143	7,055	7,018	6,790	6,666	4,042
CONTRIBUTED SURPLUS	156	156	172	175	175	167	149
RETAINED EARNINGS (deficit)	26,505	18,982	11,586	7,369	4,126	1,484	(359)
	33,891	26,281	18,813	14,562	11,091	8,317	4,314
	$62,367	$56,989	$49,582	$25,988	$20,764	$14,558	$ 9,892
WORKING CAPITAL	$25,002	$19,848	$14,711	$ 7,933	$ 7,140	$ 6,051	$ 3,393
Working capital ratio	2.5:1	2.1:1	1.9:1	1.9:1	2.0:1	2.1:1	1.8:1
Long term debt to equity ratio	.28:1	.41:1	.63:1	.11:1	.16:1		.04:1
Accounts payable to inventory ratio	.41:1	.56:1	.35:1	.50:1	.71:1	.61:1	.53:1
Return on shareholders' equity	26.2	32.4	27.5	27.7	29.1	27.2	38.0
Inventory turnover	5.6	5.7	4.4	6.2	6.9	7.5	7.2

Statistics

	January 31						
	1977	1976	1975	1974	1973	1972	971
	Omitting 000's						
SALES PER QUARTER							
1st Quarter	$ 28,297	$ 23,379	$ 15,184	$ 11,867	$ 10,034	$ 8,211	$ 7,358
2nd Quarter	37,689	32,457	21,800	16,894	14,141	11,764	10,208
3rd Quarter	36,229	33,671	27,933	15,882	13,847	11,474	9,424
4th Quarter	52,773	49,741	39,672	26,621	21,577	17,433	15,014
Total	$154,988	$139,248	$104,589	$ 71,264	$ 59,599	$ 48,882	$ 42,004
OPERATING INCOME PER QUARTER							
1st Quarter	$ 2,534	$ 2,300	$ 1,579	$ 986	$ 693	$ 492	$ 406
2nd Quarter	3,403	3,670	2,377	1,785	1,410	1,172	1,001
3rd Quarter	3,997	4,454	2,719	1,423	1,145	841	643
4th Quarter	10,001	9,302	6,714	5,287	3,700	2,636	2,205
Total	$ 19,935	$ 19,726	$ 13,389	$ 9,481	$ 6,948	$ 5,141	$ 4,255
NET INCOME PER QUARTER							
1st Quarter	$ 876	$ 718	$ 633	$ 434	$ 301	$ 189	$ 125
2nd Quarter	1,449	1,576	1,131	808	651	517	378
3rd Quarter	1,490	1,718	804	595	502	361	200
4th Quarter	5,054	4,519	2,612	2,197	1,779	1,192	935
Total	$ 8,869	$ 8,531	$ 5,180	$ 4,034	$ 3,233	$ 2,259	$ 1,638
EARNINGS PER SHARE PER QUARTER (FULLY DILUTED)							
1st Quarter	$ .45	$ .37	$ .33	$ .23	$ .16	$ .10	$ .07
2nd Quarter	.72	.79	.60	.43	.35	.28	.20
3rd Quarter	.75	.85	.43	.31	.27	.19	.11
4th Quarter	2.47	2.21	1.31	1.17	.94	.65	.63
Total	$ 4.39	$ 4.22	$ 2.67	$ 2.14	$ 1.72	$ 1.22	$ 1.01

	1976	1975	1974	1973	1972	1971
SIX YEAR RECORD OF STOCK PRICES						
High	$ 37	$ 32	$ $28\frac{1}{4}$	$ 42	$ 42	$ $20\frac{3}{4}$
Low	$ $23\frac{1}{2}$	$ $20\frac{5}{8}$	$ 17	$ 21	$ 20	$ $14\frac{3}{8}$

	1977	1976	1975	1974	1973	1972
Market Price, January 31	$ $23\frac{1}{2}$	$ $34\frac{2}{3}$	$ 26	$ $22\frac{1}{2}$	$ $37\frac{1}{2}$	$ $24\frac{1}{2}$
Price earnings multiple, January 31	5.35	8.21	9.74	10.51	21.80	20.08
Volume of Shares traded during the year	113,500	189,000	230,400	193,800	300,600	463,000
Number of Shareholders	583	644	651	672	612	584
Number of Employees	1,800	1,775	1,750	1,000	850	775

VALUATION DAY SHARE PRICES: For capital gains purposes, some shareholders may need to know the value of their shares on Valuation Day. The December 22,1971, Valuation Day value, as established by the Department of National Revenue was $20.75.

Store Statistics

	January 31									
	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968
NUMBER OF BRANCHES										
Apparel Division										
Leased Woolco Departments	86	79	72	67	56	47	41	33	27	22
Company Stores	80	79	72	65	54	51	46	41	39	40
Total	166	158	144	132	110	98	87	74	66	62
Footwear Division	196	203	217							
BRANCHES OPENED										
Apparel Division	15	16	15	24	16	13	14	10	6	5
Footwear Division	3	14	24							
BRANCHES CLOSED										
Apparel Division	7	2	3	2	4	2	1	2	2	1
Footwear Division	10	28	17							
STORE SPACE AT END OF YEAR, omitting 000's										
Apparel Division	1,070	1,005	912	850	718	633	579	488	424	377
Footwear Division	351	364	398							
SALES PER FOOT, based on year end space										
Apparel Division	$104.5	$98.2	$86.5	$77.3	$75.8	$69.9	$65.4	$65.6	$59.5	$56.9
Footwear Division	$ 88.7	$79.6	$67.8							

	Apparel Division								Footwear Division			
	Leased Woolco Depts.				Company Stores							
	Number of Branches	Percent of Division Sales	Number of Branches	Percent of Division Sales	Number of Branches	Percent of Division Sales	Number of Branches	Percent of Division Sales	Number of Branches	Percent of Division Sales	Number of Branches	Percent of Division Sales
	1977		1976		1977		1976		1977		1976	
SALES BY REGION												
British Columbia	5	4.9	4	5.3	10	9.5	9	9.2	40	20.4	39	22.4
Alberta	9	15.1	9	16.1	5	7.2	3	4.8	5	2.4	4	2.1
Saskatchewan and Manitoba	10	12.6	9	12.1	5	5.7	4	4.4	3	1.2	3	1.2
Ontario	31	36.3	28	35.5	52	71.2	56	75.8	130	66.4	138	65.4
Quebec	24	21.0	23	20.8	1	1.0	2	1.0	6	4.3	7	3.4
Maritimes	7	10.1	6	10.2	7	5.4	5	4.8	12	5.3	12	5.5
Total	86	100.0	79	100.0	80	100.0	79	100.0	196	100.0	203	100.0

A specific list of store locations is available on request.

GRAFTON GROUP LIMITED

ANNUAL REPORT FOR YEAR ENDED JANUARY 31, 1977

TO OUR SHAREHOLDERS:

Earnings in the second quarter improved from the comparable period, although sales were depressed and disappointing. Weather as a factor contrasted favourably with conditions of a year ago. The estimate that Final Domestic Demand rose by only 2½% in the first quarter indicates a very sluggish economy. Furthermore, it seems that Personal Disposable Income in real terms was lower than it was in the second quarter of 1976. Expenditure on residential construction has declined in each of the last three quarters and new and unsold housing units are running at very high levels, which has affected our Home Furnishings division.

In our Apparel division we opened 7 Jack Fraser Stores and plan to open 6 in the last half of the year. We opened 6 Woolco departments and plan to open 1 before year end. Our Shoe division has opened 5 and closed 9 in the first half and plan to open 5 net in the balance of the year. In terms of earnings contributions, our Apparel earnings are up for the half year, and our Footwear earnings are down. Our Home Furnishings earnings are up slightly, something of an achievement in a very depressed market. Our equity earnings in investments are up marginally.

In June we placed successfully $15,000,000 20-year unsecured debentures and prepaid certain term bank loans realizing $10,215,000 net in long term funds.

We do not regard the current Canadian economic climate as a basis for any enthusiasm over the short term, but we are sufficiently optimistic as to anticipate a successful fall season with a modest improvement over a year ago.

G. R. CHATER, *President*

Toronto, August 16, 1977

GRAFTON GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Six month period ended July 31, 1977

(With Comparative Figures for 1976)

	Omitting 000's	
	1977	**1976**
Working capital derived from		
Operations		
Net income for period	$ 2,451	$ 2,325
Items not involving working capital		
Depreciation	790	711
Amortization of goodwill	71	71
Equity income in corporate joint ventures	(282)	(228)
	3,030	2,879
Long term debt issued	15,000	
Proceeds from issue of common shares	405	77
Repayment of note receivable		36
	$18,435	$ 2,992
Working capital applied to		
Additions to fixed assets	$ 1,383	$ 1,044
Increase in investments	3,050	
Dividends on common shares	862	606
Deferred charges incurred	400	
Reduction of long term debt	3,259	178
	$ 8,954	$ 1,828
Increase in working capital	9,481	1,164
Working capital at beginning of period	25,002	19,848
Working capital at end of period	$34,483	$21,012

(Unaudited)

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GRAFTON GROUP LIMITED

Established 1853

INTERIM REPORT

for the

SIX MONTHS ENDED JULY 31, 1977

HIGHLIGHTS

First Half Results

	Omitting 000's		
	1977	1976	% Change
Sales	$68,248	$65,986	+ 3.4
Income	$ 2,451	$ 2,325	+ 5.4
Earnings per Common Share			
Basic	$ .85	$ .81	
Fully Diluted	$ .81	$ .78	

Second Quarter Results

Sales	$39,407	$37,689	+ 4.6
Income	$ 1,685	$ 1,449	+16.3
Earnings per Common Share			
Basic	$ .58	$ .50	
Fully Diluted	$ .55	$ .48	

(Unaudited)

GRAFTON GROUP LIMITED

CONSOLIDATED STATEMENT OF INCOME

	Second Quarter			Six Month Period Ended July 31		
	Omitting 000's			Omitting 000's		
	1977	1976	% Change	1977	1976	% Change
Sales						
Retail Division						
Apparel	$28,687	$27,016	+ 6.2	$49,519	$46,765	+ 5.9
Footwear	7,765	8,153	− 4.8	13,534	13,786	− 1.8
	36,452	35,169	+ 3.7	63,053	60,551	+ 4.1
Homefurnishings	2,955	2,520	+17.3	5,195	5,435	− 4.4
Total Sales	39,407	37,689	+ 4.6	68,248	65,986	+ 3.4
Income from operations before taking into account the undernoted items	3,854	3,403	+13.3	6,113	5,937	+ 3.0
Deduct						
Depreciation	(414)	(361)	+14.7	(790)	(711)	+11.1
Interest and Bank Charges (net)	(605)	(515)	+17.5	(884)	(844)	+ 4.7
Amortization of goodwill	(35)	(35)		(71)	(71)	
Add						
Equity in earnings of corporate joint ventures	282	228	+23.7	282	228	+23.7
	(772)	(683)	+13.0	(1,463)	(1,398)	+ 4.6
Income before income taxes and minority shareholders' interest	3,082	2,720	+13.3	4,650	4,539	+ 2.4
Income Taxes	1,373	1,247	+10.1	2,152	2,167	− .7
Income before minority shareholders' interest	1,709	1,473	+16.0	2,498	2,372	+ 5.3
Preference share dividends paid to minority shareholders of subsidiary company	24	24		47	47	
Net income for the period	$ 1,685	$ 1,449	+16.3	$ 2,451	$ 2,325	+ 5.4
Earnings per share						
Basic	$ .58	$ .50		$ .85	$ .81	
Fully Diluted	$ .55	$ .48		$ .81	$ .78	

(Unaudited)